



SPECIAL MEETING OF THE MILPITAS CITY COUNCIL

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CITY OF MILPITAS – NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Milpitas City Council will be held at 7:00 PM on Tuesday, November 19, 2019 at City Council Chambers, Milpitas City Hall, 455 E Calaveras Blvd. Milpitas. Agenda is as follows.

AGENDA

TUESDAY, NOVEMBER 19, 2019

**COUNCIL CHAMBERS, 2ND FLOOR, 455 E. CALAVERAS BLVD., MILPITAS, CA
7:00 PM**

CALL TO ORDER / ROLL CALL

AGENDA ITEM

Update on Efforts to Restructure Pacific Gas & Electric

Recommendation: Provide general direction to staff for City participation in efforts to advocate for customer interest and a customer ownership model as part of the future structure of PG&E

ADJOURNMENT

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For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035

e-mail: cdiaz@ci.milpitas.ca.gov / Phone: 408-586-3040

The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3rd floor 455 E. Calaveras Blvd., Milpitas and on the City website. All City Council agendas and related materials can be viewed online here: www.ci.milpitas.ca.gov/government/council/agenda_minutes.asp (select meeting date)

If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, please call the City Clerk at 408-586-3001 or send an e-mail to mlavelle@ci.milpitas.ca.gov prior to the meeting. You may request a larger font agenda or arrange for mobility assistance. For hearing assistance, headsets are available in the City Council Chambers for all meetings.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Update on Efforts to Restructure PG&E
Category:	Leadership and Support Services
Meeting Date:	11/19/2019
Staff Contact:	Elaine Marshall, 408-586-2603
Recommendation:	Provide general direction to staff for City participation in efforts to advocate for customer interest and a customer ownership model as part of the future structure of PG&E.

Background:

PG&E's bankruptcy proceeding has been making its way through bankruptcy court since PG&E's filing on January 29, 2019. A critical part of the proceedings includes a plan of reorganization for resolution of the bankruptcy. Any such reorganization or new structure needs approval from the California Public Utilities Commission (CPUC). To date, there has been little consideration of customer/rate payer interests as part of the bankruptcy proceedings; however, there are currently several ideas for a customer-owned or publicly owned utility being championed by state and local leaders.

Analysis:

The impact of recent PG&E Public Safety Power Shutdowns has spurred renewed and amplified calls for a major overhaul of PG&E that prioritizes and protects customer interest over profits. These include:

- Governor Newsom who has proposed a state takeover of PG&E if the company does not emerge from bankruptcy effectively (<https://www.sfchronicle.com/california-wildfires/article/Gov-Gavin-Newsom-calls-PG-E-executives-14802857.php>)
- San Jose Mayor Liccardo and a coalition of more than 20 Mayors who are proposing a "cooperative (co-op)" model where PG&E becomes a customer owned entity (Attachment 1)
- State Senator Scott Weiner announced on November 12 that he plans to introduce legislation that makes PG&E a public utility (<https://californiaglobe.com/section-2/pg-e-to-become-a-public-utility-under-proposed-legislation/>)

These concepts are in the very early stages and there is little detail on the possible governance and operational structure associated with these proposals. Community-ownership or a community co-operative is different from municipalization of the company (where a city or public agency buys out the utility system). The crux of each of these proposals is to advocate to high level State and CPUC officials for the interest of the customers and to allow communities to be part of the discussions around the future organization of PG&E.

There are common themes and principles that transcend each of the proposals that include:

- Moving away from shareholders/investors eliminates the key driver for profits and ensures that all funding is invested back into the system
- Accessing tax exempt financing (as a public agency or co-op) lowers the cost of capital needed for infrastructure improvements and reduces the burden on ratepayers
- Improving transparency around governance and operations to ensure that the customer voice heard

PG&E must exit bankruptcy by the end of June 2020 to access a new State fund that would help PG&E pay for damage from future wildfires caused by its equipment. Time is of the essence and it is critical that the CPUC and State leaders consider a customer/community ownership model as part of PG&E restructuring.

Community Choice Aggregation agencies are emerging as prominent players in these discussions. Silicon Valley Clean Energy (SVCE), along with many Community Choice Energy providers, have been actively following the PG&E bankruptcy proceedings and advocating for their community and customer interests. SVCE's CEO, Girish Balachandran, has been engaged in these efforts to influence the future structures PG&E and provided an update to the SVCE Board at their meeting on November 13, 2019. SVCE will continue to provide regular updates to the Board of Directors.

This issue is very dynamic, as such, staff is seeking general direction from Council on how the City should engage in these efforts.

Additionally, there is an opportunity for the City Council to engage and sign-on to Mayor Liccardo's coalition to advocate for customer interests should Councilmembers be interested in adding their names to the coalition (Attachment 2).

Public Works staff will continue to monitor the proceedings and will provide regular updates to the City Council through Information Memos and City Council reports.

Policy Alternative

Alternative: Take no position on PG&E Restructuring at this time.

Pros: Saves staff time and relies on other cities to lead on this effort.

Cons: Does not protect the interest of Milpitas rate payers.

Reason not recommended: It is to the benefit of Milpitas rate payers that the City remain engaged in efforts to ensure customer interests are represented and considered in any future restructuring of PG&E as the future structure will impact potential costs and system impacts borne by the rate payers.

Fiscal Impact

There are no fiscal impacts associated with this recommended action.

California Environmental Quality Act

Not a project.

Recommendation

Provide general direction to staff for City participation in efforts to advocate for customer interest and a customer ownership model as part of the future structure of PG&E.

Attachments

1. City of San Jose Mayor Sam Liccardo's Coalition Letter to CPUC dated 11-05-2019
2. E-mail from Mayor Liccardo regarding Near Term Engagement Opportunities

Elaine Marshall

From: Andrea Pizano <Andrea.Pizano@svcleanenergy.org>
Sent: Friday, November 15, 2019 9:51 AM
To: Andrea Pizano
Cc: Girish Balachandran
Subject: SVCE - Letter from SJ Mayor Liccardo and Call re: CPUC/PG&E
Attachments: image003.png; Mayor CPUC Letter .pdf

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links.

Hello SVCE Directors,

Please see the following note from Director Smith re: San Jose Mayor Liccardo's request for engagement and upcoming call regarding PG&E.

Best,

Andrea

Andrea Pizano
Board Clerk/Executive Assistant
(408) 721-5301 x1005



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From: Nancy Smith <SmithCouncil@sunnyvale.ca.gov>
Sent: Thursday, November 14, 2019 10:11 PM
To: Andrea Pizano <Andrea.Pizano@svcleanenergy.org>; Girish Balachandran <girish@svcleanenergy.org>
Subject: Fwd: Next steps on CPUC/PG&E

Hi Andrea

Mayor Liccardo is setting up a conference call for PGE next steps for 3:30 pm Monday. He's asked for help in spreading the word.

Would you kindly share this information with other members of the SVCE board.

Yours
Nancy

----- Forwarded message -----

From: Liccardo, Sam <sam.liccardo@sanjoseca.gov>

Date: Thu, Nov 14, 2019, 7:36 AM

Subject: Next steps on CPUC/PG&E

To: Liccardo, Sam <sam.liccardo@sanjoseca.gov>

Colleagues and Coalition Members:

Thank you for joining our recent letter to the California Public Utilities Commission (CPUC) requesting that it expand the scope of its review to consider the potential reorganization of Pacific Gas & Electric (PG&E) in bankruptcy as a customer-owned utility. As you know, we submitted the letter to the CPUC last week, which gathered substantial attention in statewide and national media. Our coalition has since grown to include 24 California mayors and over 50 local elected leaders, collectively representing more than 6 million Californians.

Thank you for your willingness to boldly lead at this very early stage in our effort.

I respectfully request your near-term engagement in two ways. First, we need your advice and input. We have understandably received questions from our peers about the organization and governance of a proposed customer-owned utility. Next week, we will provide a draft set of guiding principles that will ensure accountability and transparency for a customer-owned PG&E, such as requiring compliance with the Brown Act, the Political Reform Act, the Public Records Act, and other relevant open government laws. We ask for your high-level input now, and as you review the draft next week, any feedback on these principles. These principles may form the basis of a legislative package that could emerge in Sacramento, or as part of the utility's charter. I think we all agree that our effort will only succeed if we can forge an entity that will regain the public's trust, and will put safe and reliable service ahead of shareholder profits and executive pay.

Second, our growing coalition has sprung largely from phone calls and emails that many of you have received, but without anything resembling a comprehensive outreach effort to the many parts of California served by PG&E. That's where we can use your help. If there are other elected officials on your respective Boards and Councils who would like to add their voice to this effort, please share the letter with them (attached) and have them email their name and title to topaul.meyere@sanjoseca.gov and we will include them in materials going forward. We are also preparing informational materials for your use and theirs that respond to some of the typical questions we are being asked about this opportunity.

To address any questions you might have about the status of our efforts and about our next steps, we're hosting a conference call for you or for members of your staff on November 18 at 3:30pm. We will provide call-in information to you, or any member of your team, if you simply inform us of your desire to participate by emailing paul.meyere@sanioseca.gov. If we have many participants on that call, we may ask that you submit questions to us during the call so that we can respond in as efficient a manner as possible.

Thank you again for your leadership during this challenging time. Although we all acknowledge that many perils and risks surround our efforts, the cost of inaction is far too great.

All the best,

Sam



Sam Liccardo

Mayor, City of San José

200 E. Santa Clara Street, 18th Floor, San Jose, California
95113

p: (408) 535-4800 | e: sam.liccardo@sanioseca.gov

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November 4, 2019

Hon. Marybel Batjer, President
Hon. Martha Guzman Aceves
Hon. Liane M. Randolph
Hon. Clifford Rechtschaffen
Hon. Genevieve Shiroma

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

President Batjer and Commissioners:

RE: Critical Matters Related to the PG&E Bankruptcy

As local leaders across Northern and Central California, collectively representing more than 5 million residents, we write to you about a matter vital to the safety and quality of life of the communities we serve. While our immediate attention focuses on the recovery of our neighbors and communities from recent tragic fires and power shut-offs, we have serious concerns about whatever emerges from the bankruptcy of Pacific Gas and Electric Company and its parent, PG&E Corporation. We write in our individual capacities as elected and appointed leaders, but as our coalition of local leaders grows in the weeks ahead, we will advocate these positions with our boards and councils as well, and seek their support.

Both the federal bankruptcy code and state law invest the California Public Utilities Commission with a responsibility for approving any Plan of Reorganization for those entities. The Bankruptcy Court may not confirm such a Plan if it involves any rate change (as is the likely case) without this Commission's assent, while recently-enacted state law establishes your approval as a necessary predicate for the emergent entity to have access to the Wildfire Fund. The Commission now plays an essential part in the restoration of Northern California's incumbent utility to a position where it can provide safe, reliable, and affordable power to our citizens.

At present, the Commission is considering the scope of its review. It is focusing primarily on the two plans before it, developed in the Chapter 11 proceeding by competing financial interests. One, from the companies themselves, reflects the current driving forces that govern PG&E, namely financial entities that purchased controlling equity interests as the crisis unfolded. The other is the product of distressed asset bondholders. Both vie for ultimate control, and both reflect a short-term desire to maximize financial gain for their proponents. Neither plan addresses the three key matters that we believe are of utmost importance. They are:

First, the discussions so far have been almost entirely devoid of any consideration of whether PG&E can emerge under either plan as a viable, credit-worthy entity. The bankruptcy code requires that the reorganized PG&E to be a feasible, financially stable enterprise, able to perform its functions for the long term. Under Section 1129 (a)(11) of the Bankruptcy Code, the Court

may not confirm a Plan that does not meet this standard. Even without that mandate, as a matter of public policy, this should be a primary consideration. Rather, the proceedings appear dominated so far by a pitched battle between Wall Street titans for control of the bankruptcy process, control of the company, and the ability to control exit financing. This is merely spectacle, without regard for what will be left behind when the financial players inevitably leave the scene.

Second, the scope of review must include consideration of whether the reorganization plans before you address any of the organic operational issues that have plagued this company to the great detriment of its customers. The public interest cannot be swept aside in the name of merely addressing the bankruptcy exit. The Plan of Reorganization must substantially improve the company's operational footing — boosting its capacity to deliver electricity and gas that meets its customers' reasonable expectations for reliable service, while remaining solvent. This requires aligning the financial interest of the company with the public interest — for focused investment in safe, resilient, well-maintained, and sustainable infrastructure.

So far, neither Plan before you posits a vision for a reorganized PG&E that will address those operational issues.

Third, the Commission has indicated that as part of its review, it will examine “structural” issues involving PG&E's governance. We urge you to embrace this aspect of your review broadly and incisively.

Recently, Governor Newsom declared that “when they come out of bankruptcy, [PG&E] has to be a completely re-imagined company.” We agree. That reimagining must begin now, as part of your review.

In a growing coalition of local community leaders, we are developing a proposed structural change for PG&E that addresses all three of these key elements. Based on a foundation currently in the Public Utilities Code, we will propose transforming PG&E into a mutual benefit corporation — in essence, a cooperative owned by its customers.

We propose a customer-owned utility for three primary reasons. The most compelling rationale is that PG&E correctly estimates it must invest tens of billions of dollars over the next decade for system hardening, wildfire protection and cyber-security. A mutualized PG&E can raise capital from a broad pool of debt financing in amounts substantially greater than can an investor-owned PG&E, and at much lower cost. A customer-owned utility can operate without the burdens of paying dividends to shareholders, and exempt from federal taxation. As a result, a cooperative financial structure will save ratepayers many billions of dollars in financing costs over this next decade. A customer-owned PG&E will better focus its scarce dollars on long-neglected maintenance, repairs, and capital upgrade, and mitigating some part of the substantial upward pressure on rates.

Next, a customer-owned utility structure can be accomplished through a Chapter 11 Plan, with results far superior to those that would be seen from the two plans currently under consideration.

Finally, the customer-owned utility structure would allow PG&E to begin the process of restoring public confidence, in part by allowing the public to have greater role in determining decisions that increasingly have come to define matters of life and death. To the extent that the public continues to believe that a profit motive has dominated PG&E's decision making, the enterprise will never regain the trust of its customers, its regulators, and public policy-makers. It is time to pass control of the company from geographically distant investors to its customers.

Although recent actions bring the urgency of change into sharp relief, we do not pursue this option out of mere anger or angst. Rather, the moment compels PG&E's transformation. AB 1054 was a response to the realization that customers will be called upon to bear billions of dollars of costs associated with wildfire recovery and payment of claims. We face the need for a completely re-engineered and reconstructed system to adapt to the realities of climate change and poorly maintained infrastructure. PG&E cannot meet these challenges if it stumbles out of bankruptcy, barely able to raise capital, and suffering prohibitive costs.

There is a better way, and we want you to consider it. Your proceeding is that opportunity. We urge that it not be a cramped or limited exercise, focused solely on getting through the current Chapter 11 case.

We stand ready to participate in these proceedings, and to work with you. However, we again urge that the scope of your inquiry must address these broader and compelling matters that go well beyond the immediate desire to simply get through the bankruptcy proceeding. The Commission must do more than approve a Plan – any Plan – merely so that the bankruptcy can be concluded. This situation requires a full and comprehensive effort to chart a sustainable course for the future of PG&E, one that will serve the interests of its customers, and position the company to meet the challenges we will face from a changing climate.

Signed:

Mayor Sam Liccardo, City of San José
Mayor Darryl Steinberg, City of Sacramento
Mayor Libby Schaaf, City of Oakland
Mayor Michael Tubbs, City of Stockton
Mayor Ted Brandvold, City of Modesto
Mayor Steve Ly, City of Elk Grove
Mayor Barbara Halliday, City of Hayward
Mayor Larry Klein, City of Sunnyvale
Mayor Jesse Arreguin, City of Berkeley
Mayor Tom Butt, City of Richmond
Mayor Drew Bessinger, City of Clovis
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Mayor Amy Harrington, City of Sonoma
Mayor John Dell'Osso, City of Cotati

cc:

Hon. Gavin Newsom, Governor
Hon. Toni G. Atkins, President Pro Tem, California State Senate
Hon. Anthony Rendon, Speaker of the California Assembly
Hon. Ben Hueso, Chair Senate Committee on Energy, Utilities & Communications
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Communications
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